

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2610-06
Bill No.: SCS for HCS for HBs 1150, 1237 & 1327
Subject: Administrative Law; Taxation & Revenue - General, Sales and Use; Business and Commerce
Type: Original
Date: May 6, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
School District Trust	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
Conservation	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
Parks and Soil	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
Total Estimated Net Effect on <u>All</u> State Funds	(UNKNOWN) to UNKNOWN	(UNKNOWN) to UNKNOWN	(UNKNOWN) to UNKNOWN

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS
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FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	Less than \$15,000,000 to UNKNOWN	(UNKNOWN) to UNKNOWN	(UNKNOWN) to UNKNOWN

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

Section 32.375

Officials of the **Office of the State Courts Administrator (CTS)**, the **Attorney General's Office (AGO)** and the **Office of Administration, Administrative Hearing Commission (AHC)** assume this bill has no fiscal impact to their agencies.

Officials of the **Department of Revenue (DOR)** state this legislation provides statutory authority for the Director to compromise taxes, penalties and interest under certain circumstances.

DOR assumes Field Audit will need two auditors to review audit cases, prove unreasonableness at hearings and present/testify at hearings. All equipment and expense relating to these FTE will also be requested. DOR assumes DOR must prove unreasonableness.

Oversight assumes, for purposes of this fiscal note, this proposal would decrease compliance in the areas of corporate income tax and sales/use tax collections. This amount is unknown, therefore Oversight will reflect the revenue impact of this proposal as a negative unknown to various state and local funds. In addition, Oversight assumes DOR can utilize existing personnel to handle the abatements, correspondence, audit reviews, and to present/testify at hearings.

Section 32.380

Officials from the **Department of Elementary and Secondary Education (DES)** assumes all new revenues resulting from the amnesty provision shall be deposited into the state school moneys fund and distributed to school districts.

Officials from the **Office of the State Courts Administrator (CTS)**, the **Attorney General's Office (AGO)**, the **Office of the State Treasurer (STO)** and the **Office of Administration, Administrative Hearing Commission (AHC)** assume this bill has no fiscal impact to their agencies.

ASSUMPTION (continued)

Officials of the **Department of Revenue (DOR)** state this legislation provides statutory

procedures for a limited tax amnesty program.

DOR assumes Section 32.380 indicates amnesty only applies to state taxes but it should also include local taxes DOR collects. An amnesty sales tax form will need to be developed.

DOR assumes overtime may be incurred to have the amnesty wrapped up within the 60 days proposed in the legislation with notification back to the taxpayer of approval or not. Additional postage will be incurred, it is unknown, it could be \$10,000 or much more. It will depend on taxpayer response to the amnesty.

DOR assumes this legislation will impact several separate and unique systems MINITS, COINS, Employer Withholding, MITS, Motor Vehicle Delinquent Fee. Each of the systems will need program changes to generate letters to notify taxpayers of the amnesty program. Approval letters will also need to be generated. Each system will need to be programmed to earmark the amount collected as a result of the amnesty to the school moneys fund instead of GR. An amnesty program will need to be developed for each tax system in order to monitor and administer the program. DOR estimates that the above program changes (to all tax systems) will require 6,055 hours of programming for a total cost of \$201,995. The State Data Center cost to implement the proposed legislation will be \$39,404.

Officials of the **Office of the Secretary of State (SOS)** assume this bill establishes procedures relating to assessment and collection of taxes for the DOR. DOR may promulgate rules to implement this bill. These rules will be published in both the *Missouri Register* and the *Code of State Regulations*. Based on experience with other divisions, the rules, regulations and forms issued by DOR could require as many as 16 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual cost for FY03 is estimated at \$984 but could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years

ASSUMPTION (continued)

Section 32.381 Simplified Sales and Use Tax Administration Act

Officials of the **Department of Revenue (DOR)** state this legislation, as worded, would implement through the General Assembly the simplified sales and use tax administration act

(SSTP). DOR assumes this legislation would not fiscally impact their agency, but would have an unknown impact on state revenue.

Officials of the **Office of Administration, Budget and Planning (BAP)** state this bill has no fiscal impact to their agency and DOR is better suited to respond to this proposal.

Officials of the **Office of the Secretary of State (SOS), Division of General Counsel** and the **Department of Highway and Transportation (DHT)** assume this bill creates the Simplified Sales and Use Tax Administration Act. SOS and DHT assume this proposal would have no direct fiscal impact on their agencies.

Oversight assumes, for purposes of this fiscal note, this proposal would increase compliance of sales/use tax collections once an agreement is reached with other states. This amount is unknown, as well as when this will occur, therefore Oversight will reflect the revenue impact of this proposal as zero to unknown to various state and local funds.

This legislation could increase total state revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Income</u> - General Revenue			
Increase in tax compliance	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Income</u> - General Revenue			
Amnesty Tax Revenue	\$15,000,000	\$0	\$0
<u>Cost</u> - Department of Revenue			
Postage	(Unknown)	\$0	\$0
Programming	(\$241,399)	\$0	\$0
<u>Loss</u> - General Revenue			
Decrease in tax compliance	(Unknown)	(Unknown)	(Unknown)
Decrease in additions to tax, penalties and interest	(Unknown)	(Unknown)	(Unknown)
<u>Transfer Out</u> - School Moneys Fund			
Amnesty Tax Revenue	(\$15,000,000)	\$0	\$0
TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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SCHOOL DISTRICT TRUST FUND

Income - School District Trust Fund

Increase in tax compliance	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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Transfer In - School Moneys Fund

Amnesty Tax Revenue	\$15,000,000	\$0	\$0
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Loss - School District Trust Fund

Decrease in tax compliance	(Unknown)	(Unknown)	(Unknown)
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Transfer Out - to Local School Districts

Amnesty Tax Revenue	<u>(\$15,000,000)</u>	<u>\$0</u>	<u>\$0</u>
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**TOTAL ESTIMATED NET EFFECT
ON SCHOOL DISTRICT TRUST
FUND**

<u>(UNKNOWN)</u> <u>to UNKNOWN</u>	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>
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CONSERVATION SALES TAX FUND

Income - Conservation Sales Tax Fund

Increase in tax compliance	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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Loss - Conservation Sales Tax Fund

Decrease in tax compliance	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**TOTAL ESTIMATED NET EFFECT
ON CONSERVATION FUNDS**

<u>(UNKNOWN)</u> <u>to UNKNOWN</u>	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>
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PARKS AND SOILS SALES TAX
FUND

Income - Conservation Sales Tax Fund

Increase in tax compliance	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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Loss - Parks and Soils Sales Tax Fund

Decrease in tax compliance	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
TOTAL ESTIMATED NET EFFECT ON PARKS AND SOILS SALES TAX FUND	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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<u>Income</u> - Various Local Funds			
Increase in tax compliance	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

<u>Loss</u> - Counties			
Decrease in tax compliance	(Unknown)	(Unknown)	(Unknown)

<u>Loss</u> - Cities			
Decrease in tax compliance	(Unknown)	(Unknown)	(Unknown)

<u>Income</u> - Local Schools			
Amnesty Tax Revenue	<u>\$15,000,000</u>	<u>\$0</u>	<u>\$0</u>

	<u>LESS THAN</u>		
TOTAL ESTIMATED NET EFFECT ON VARIOUS LOCAL FUNDS	<u>\$15,000,000 to</u> <u>UNKNOWN</u>	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>

FISCAL IMPACT - Small Business

Small businesses would expect to be fiscally impacted to the extent that they receive abatement on prior taxes due and must file and pay sales or corporate income tax in the future, and

Also, small businesses would expect to be fiscally impacted to the extent that the simplified sales and use tax system reduces the cost to comply with Missouri's sales and use tax laws in the future.

DESCRIPTION

Section 32.375 Tax Liability Compromise

This act authorizes the Department of Revenue (DOR) and the Administrative Hearing Commission (AHC) to negotiate with taxpayers or their agents to compromise all or part of the tax liability of a taxpayer in certain situations.

Section 32.380 Amnesty

This legislation creates an amnesty from the assessment or payment of all penalties, additions to tax and interest with respect to taxes reported and paid in full during a period from August 1, 2002 to September 30, 2002. The amnesty applies to state tax liabilities due, but unpaid, on or before December 31, 2001. All revenue resulting from the amnesty will be deposited in the state school moneys fund, unless earmarked by the state constitution.

Section 32.381 Simplified Sales and Use Tax Administration Act

This bill creates the Simplified Sales and Use Tax Administration Act.


The act allows the State of Missouri to enter into the Streamlined Sales and Use Tax Agreement with one or more states to simplify the sales and use tax laws and brings the laws into general conformity among the agreeing states. The act also allows the state to continue negotiations with other states to determine the best approach for obtaining conformity.

The act allows the Department of Revenue to adopt administrative rules and procure goods and services in furtherance of the cooperative agreement. The act also provides for the development of certified service providers for the purpose of collecting and remitting sales and use tax on behalf of sales and use taxpayers. This proposal has an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Courts Administrator
Office of the Attorney General
Office of Administration
Administrative Hearing Commission
Secretary of State
Department of Revenue
State Treasurer
Department of Elementary and Secondary Education

A handwritten signature in black ink, reading "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
May 6, 2002